



Remarks For

The Hon. Steve Preston  
Administrator  
U.S. Small Business Administration

Delivered At The

**BISMARCK/MANDAN CHAMBER OF  
COMMERCE LUNCHEON**

Bismarck, ND

September 27, 2007  
11:30 am

Thank you, John, for that nice introduction. I'm excited to be here with this distinguished audience: your Governor, John Hoeven, your Mayor, John Warford, and with Ken LaMont, the Mayor of Mandan. And of course, with our partners from the lending community, the community bankers, and all of you from the business community, who represent important to the economic vitality of North Dakota. The Bismarck-Mandan Chamber of Commerce has been a very strong partner for us, and I thank Dave Goodin and Kelvin Hullet for that.

I'd like to take this opportunity also to thank Gov. John Hoeven, a very good friend to small business – to all business – and to the SBA. John has been a supporter of the SBA since his days as a community banker in Minot, and he is a big reason that I'm here today talking about our Rural Lender Advantage Initiative. I want to thank Governor Hoeven for his commitment to small businesses and for his part in making Rural Lender Advantage a reality.

I also want to thank Mick Ringsak, our Regional Administrator. Those of you who know Mick know that he's a tireless advocate for rural small business owners, and also he deserves much credit for his work on Rural Lender Advantage.

We are here because we understand that rural areas across the country deal with specific economic challenges. When we talk about rural America, we're actually talking about many very different areas. Economic growth in rural areas has been uneven, and often economic challenges and opportunities are as diverse as the regions that face them. Still, there are common problems: across the country some areas still have higher poverty and unemployment than the national average, and many are dealing with the continued loss of population.

Young people, in particular, leave for cities and large metropolitan areas, often in search of jobs they can't find in rural communities. There's a direct correlation between population loss and a decrease in the number of small businesses, which, in turn, has a detrimental effect on the economy. Population loss also has negative ramifications for the community, which is losing more than its future workers – it's losing its future backbone. Across the country, rural communities that face higher poverty and unemployment, as well as out-migration, share a need for economic development and new jobs. I believe that providing fuel to small business and entrepreneurs is an important part of meeting that need.

While the diversity of rural America means that there is specific work to be done at the state and local levels, there is much for us to do at the national level to bolster the success of small businesses. Most importantly, we must create an environment that fosters entrepreneurship and small business growth by enacting good economic policy, much like Gov. Hoeven has done here at the state level and the President has done at the national level.

But we can also provide valuable, more focused support services to entrepreneurs, like those offered by SBA, to facilitate access to capital, technical assistance, and government contract procurement assistance for small businesses.

Small business is central to the economic strength of rural America. Right here in North Dakota, small business employs more than 60 percent of the private, non-farm workforce. This is higher than the national average, making small businesses even more vital to the economy and the workers of North Dakota. Across the country, small businesses account for two-thirds of all rural jobs, and they make up more than 90 percent of all rural establishments.

Research suggests that entrepreneurship, along with other factors, is important in rural communities' ability to maintain their population levels. Some of the traditional hurdles for rural entrepreneurs, like logistical challenges associated with the remote locations, are easier to overcome

now with the spread of the Internet. Although the so-called digital divide hasn't been erased entirely, high-speed Internet is becoming increasingly available to rural business owners. This development, along with expanded offerings of shipping and logistics providers makes marketing and selling products outside of a small business's local market a much easier and more viable prospect.

Small business formation and growth drives innovation, creates jobs, stimulates economic activity and brings much needed investment to those areas of the country that need it the most. But those businesses still need capital to get their businesses off the ground and it's often hard to get investment past the highways and into the rural towns where it's needed. As is the case in other rural states, North Dakota's economic engine is concentrated in a few cities and towns. Rural small businesses and entrepreneurs tend to look to their local lenders for support.

In fact, the median distance between a small business's headquarters and its lender is four miles. It's not just physical proximity, of course, but the relationships with the community that make local banks so important. But when I look at North Dakota, for instance, I see too many lenders in rural areas that made SBA loans in FY2004 but not in FY2007. This means that our products and services are not reaching rural markets as effectively as they could be.

I have made it a priority for the SBA accelerate entrepreneurial and small business success in underserved markets, which are those areas of the country with higher unemployment and poverty rates. Many of these underserved markets are located in rural areas. We can do this by better extending our goods and services into these underserved markets, and I'd like to share a few ways that SBA is doing that in rural areas before delving into the specifics of Rural Lender Advantage.

Rural areas tend to breed an independent spirit, but running a small business often requires expertise outside of the owner's comfort zone. That's why we offer technical assistance to entrepreneurs and small business owners. Working with our resource partners – Small Business Development Centers, Women's Business Centers, and SCORE – we are promoting economic development in rural communities through face-to-face counseling services.

To reach those who don't live close to one of these counseling centers, we also offer technical assistance online. Through SCORE, for instance, entrepreneurs can access online counseling at any time of the day through a database of more than 1,400 cyber counselors and 800 skill sets by industry. Response time is 48 hours. Rural entrepreneurs can connect with counselors with specific expertise in a wide range of topics, from agriculture, forestry, fishing, and hunting to real estate and retail. SCORE is also now providing 29 online training workshops that cover everything

from preparing a business plan to marketing your product. The service is provided at no charge and available at SCORE.org.

Our website, [sba.gov](http://sba.gov), is also a great resource for all SBA products and services, including an online library with articles on rural development and access to online training courses through the Small Business Training Network. Millions of visitors take advantage of this site each year.

And in terms of investment opportunities for small businesses, our Small Business Investment Company (SBIC) programs are reaching areas of the country that venture capitalists usually pass over because of the costs of funding and supporting deals in rural areas are often high.

SBA also helps to steer government contracts into underserved markets, many of which are in rural areas, through our HUBZone program, which establishes preferences for the awarding of federal contracts to small businesses in historically underutilized business zones,. The HUBZone Program is an important tool we have to support our efforts to invigorate entrepreneurship in rural areas.

I'd also like to remind everyone that our District Offices are a great portal to all SBA products and services and are great partners in rural communities. In addition to Jim Stai, our North Dakota District Director,

we have the District Directors from the other five Region VIII offices here today.

The North Dakota District Office is an excellent example of how SBA can create synergy to maximize the impact and reach of SBA products and services by collaborating with other Federal agencies, our local resource partners, other foundations, the local Chambers of Commerce and the Governor's office.

These are all valuable services, and important contributions to the viability and growth of the small business community.

Today, not enough small lenders and community banks are using SBA loan products. There's a reason for this. Our high-growth products require automation and smaller lenders often don't have enough SBA loan volume to justify investment in automation or support a dedicated staff to manage our other products. So, they are less inclined to use our products. Only one-third of the 6,000 lenders nationwide made an SBA guaranteed loan in FY2006, and that number is declining. In fact, there are 100 active lenders that make up 81 percent of SBA's total loan volume. While industry consolidation has driven some of these trends, we need to insure we are not missing a critical need.

What concerns me in particular is the decline in community banks utilizing our products. Because of their location and relationship with their communities, these banks serve a unique role in reaching out to rural small businesses and entrepreneurs. They are more than investors in economic development; they are the community builders.

Community banks have a special role in enabling entrepreneurship in rural areas, helping companies to form, grow, create jobs, and transform communities. We want to be an effective partner for these banks, and we understand that to do this we need to offer a loan process that is less complex and cumbersome.

After talking with small lenders and our people in the field, we realized we needed a process that gave our lenders:

- A simpler, easier process
- A quick turnaround
- Good customer support

Rural Lender Advantage is a simplified version of our 7(a) loan process that we hope will help us win back small rural banks. It is very much aligned with a broader strategic direction of the Agency where we are working to make all of our programs easier to use and more responsive, and provide people with live support when they need it. We're unveiling

Rural Lender Advantage as a regional pilot but we plan to make it available nationally in the future.

We're shooting for a two- to three-page application, which can be submitted online or by fax. In contrast, our regular 7(a) loan has a seven page application plus several attachments.

We're also making it easier to navigate the eligibility requirements, and providing support. And lenders will have access to specialized assistance through SBA's Sacramento Center help desk. This way, time isn't wasted trying to sort through complex and often arcane requirements. And routine loans will be processed in a few days.

Rural Lender Advantage is for loans, of up to \$350,000. It is designed to suit lenders, like community banks, who process on average less than 10 SBA loans per year.

SBA guarantees 85 percent if the loan is \$150,000 or less and 75 percent if the loan is larger than that.

In short, Rural Lender Advantage will offer a simpler, faster, and better supported alternative that provides a high level of guarantee.

We expect to have the documents through the approval process in the coming weeks, and will be out to see lenders shortly thereafter.

We are committed to becoming an increasing factor in the economic vitality of rural America. Many of our strategic initiatives and our Agency goals will support that. And I am thrilled to be taking a step forward here to improve our partnership with Community lenders toward that common goal.